



**CITY OF ANAMOSA, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2010

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## CITY OF ANAMOSA

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Barnes	Mayor	January 2012
Brady Reynolds	Council Member	January 2012
Cody Shaffer	Council Member	January 2012
Bill Feldman	Council Member	January 2014
Andy Bowers	Council Member	January 2014
Chuck Smith	Council Member	January 2014
Alan Johnson	City Administrator	Indefinite
Tammy Coons	City Clerk	Indefinite
Penny Lobe	Deputy City Clerk	Indefinite
Adrian Knuth	City Attorney	Indefinite

CITY OF ANAMOSA

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
Anamosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Anamosa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2011 on our consideration of City of Anamosa, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anamosa, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting as described in Note 1. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Henderson LLP*

Cedar Rapids, Iowa  
January 22, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anamosa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- Revenues totaled \$11.9 million.
- Disbursements totaled \$10.9 million.
- The City's total cash basis net assets at fiscal year ended June 30, 2010 totaled \$6.8 million.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds, non-major enterprise fund and the City's indebtedness.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and consumer deposits funds.

The required financial statements for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2010 is \$4.1 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

## Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
Receipts:		
Property tax	\$ 1,308,682	\$ 1,266,102
Tax increment financing collections	379,144	348,260
Other city tax	633,658	552,180
Licenses and permits	21,356	19,365
Use of money and property	53,078	128,162
Intergovernmental	2,408,563	2,296,571
Charges for services	137,348	396,397
Special assessments	31,838	34,359
Miscellaneous	<u>159,540</u>	<u>197,900</u>
Total receipts	<u>5,205,207</u>	<u>5,239,296</u>
Disbursements:		
Operating:		
Public safety	1,281,885	4,851,603
Public works	828,624	787,526
Culture and recreation	771,787	679,815
Community and economic development	38,207	502,638
General government	510,517	512,849
Debt service	5,038,860	717,230
Capital projects	<u>163,246</u>	<u>288,472</u>
Total disbursements	<u>8,633,126</u>	<u>8,340,133</u>
Excess of disbursements over receipts	<u>(3,427,919)</u>	<u>(3,100,837)</u>
Other financing sources (uses):		
Bond proceeds	4,319,121	2,057,386
Sale of capital assets	4,739	9,594
Operating transfers in	1,456,718	1,325,538
Operating transfers out	<u>(1,456,718)</u>	<u>(1,103,075)</u>
Net other financing sources	<u>4,323,860</u>	<u>2,289,443</u>
<b>Net change in cash basis net assets</b>	895,941	(811,394)
<b>Cash basis net assets, beginning</b>	<u>3,212,588</u>	<u>4,023,976</u>
<b>Cash basis net assets, ending</b>	<u>\$ 4,108,529</u>	<u>\$ 3,212,588</u>

The City's total receipts for governmental activities were \$9,529,067 which included bond proceeds and sale of capital assets.

The City decreased property tax rates for 2010 by \$.13 per thousand of taxable valuation, from \$16.13 to \$16.00 per thousand of taxable valuation. The decrease in property tax rate was due to the pay off of a general obligation debt.

The cost of all governmental activities this year was just over \$8.6 million.

**Changes in Cash Basis Net Assets of Business Type Activities**

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
Operating Receipts:		
Charges for services:		
Water	\$ 721,556	\$ 770,823
Sewer	1,468,201	1,370,549
Nonoperating Receipts:		
Intergovernmental	-	33,136
Interest on investments	30,687	44,326
Miscellaneous	<u>105,984</u>	<u>54,918</u>
Total receipts	<u>2,326,428</u>	<u>2,273,752</u>
Disbursements:		
Water	603,181	560,784
Sewer	863,136	628,102
Debt service	<u>825,608</u>	<u>349,367</u>
Total disbursements	<u>2,291,925</u>	<u>1,538,253</u>
Change in cash basis net assets before transfers	34,503	727,736
Transfers, net	<u>-</u>	<u>(222,463)</u>
<b>Increase in cash basis net assets</b>	34,503	505,273
<b>Cash basis net assets beginning of year</b>	<u>2,696,112</u>	<u>2,190,839</u>
<b>Cash basis net assets end of year</b>	<u>\$ 2,730,615</u>	<u>\$ 2,696,112</u>

Total business type activities receipts for the fiscal year were \$2,326,428. The cash balance increased by \$34,503 from the prior year. Total disbursements for the fiscal year were \$2,291,925.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$4.1 million, an increase of \$895,941 above last year's total of \$3.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance saw an increase of \$472,586 from the prior year to \$1.5 million. This increase in the General Fund cash balance is due to the receipt of Federal FEMA funds for the Flood of 2008.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased slightly by \$45,273 as compared to an increase in FY 2009 of \$28,823. The slight increase is due to decreased spending of LOST Funds and continued collection of streetscapes assessments.
- The Debt Service Fund cash balance increased \$580,440 to \$728,208 during the fiscal year. This increase was due to transfers in from Project Funds to cover the debt payments for cost share of the projects.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$320,765 to \$429,377 compared to last FY cash balance increase of \$77,816. The decrease in the Water Fund is primarily due to the early payoff of water revenue debt.
- The Sewer Fund cash balance increased by \$333,546 to \$2,034,146, with \$326,400 in reserves as compared to last FY cash balance increase of \$401,416. The addition to the Sewer Fund cash balance was primarily due to the increase in revenues received from the Anamosa State Penitentiary for sewer usage under a new agreement and also the scheduled increases in the sewer rates that were set by ordinance.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on April 26, 2010 and resulted in an increase in Intergovernmental revenues due to the receipt of Federal FEMA reimbursement for damages from the Flood of 2008 and also from Other Financing Sources due to interfund transfers.

The increase in budgeted disbursements occurred in all programs except Capital Projects. These increases were due to slight increases in expenditures in the following programs: Public Safety, Public Works, Culture & Recreation, Community and Economic Development and General Government and the large increase in expenditures in the Debt Service Program for the refinancing of two General Obligation Notes.

### DEBT ADMINISTRATION

#### Outstanding Debt at Year-End

	<u>Year Ended June 30, 2010</u>
General obligation bonds & notes	\$ 6,177,318
Road use tax revenue bonds	970,000
Sewer revenue bonds	<u>2,806,762</u>
<b>Total</b>	<b><u>\$ 9,954,080</u></b>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$6.1 million is significantly below its constitutional debt limit of approximately \$9.3 million.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Anamosa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities. Unemployment in Jones County averaged 6.0 percent in 2010. This compares with the State's average unemployment rate of 6.3 percent in 2010.

The housing market is strong in Anamosa and continues to stay fairly steady. During calendar year 2010, seven single family homes were built.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Allen Johnson, City Administrator, 107 S. Ford Street, Anamosa, Iowa.

## BASIC FINANCIAL STATEMENTS

CITY OF ANAMOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety	\$ 1,281,885	\$ 21,673	\$ 1,872,816	\$ -
Public works	828,624	49,567	485,637	-
Culture and recreation	771,787	114,559	123,282	920
Community and economic development	38,207	12,620	23,996	-
General government	510,517	38,871	-	-
Debt service	5,038,860	-	-	-
Capital projects	163,246	-	-	8,600
Total governmental activities	<u>8,633,126</u>	<u>237,290</u>	<u>2,505,731</u>	<u>9,520</u>
Business type activities:				
Water	1,105,771	797,299	9,429	-
Sewer	1,186,154	1,498,441	21,259	-
Total business type activities	<u>2,291,925</u>	<u>2,295,740</u>	<u>30,688</u>	<u>-</u>
Total	<u>\$ 10,925,051</u>	<u>\$ 2,533,030</u>	<u>\$ 2,536,419</u>	<u>\$ 9,520</u>
<b>GENERAL RECEIPTS:</b>				
Property taxes levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Other city tax				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Special assessments				

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

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<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 612,604	\$ -	\$ 612,604
(293,420)	-	(293,420)
(533,026)	-	(533,026)
(1,591)	-	(1,591)
(471,646)	-	(471,646)
(5,038,860)	-	(5,038,860)
(154,646)	-	(154,646)
<u>(5,880,585)</u>	<u>-</u>	<u>(5,880,585)</u>
-	(299,043)	(299,043)
<u>-</u>	<u>333,546</u>	<u>333,546</u>
-	34,503	34,503
<u>(5,880,585)</u>	<u>34,503</u>	<u>(5,846,082)</u>
732,342	-	732,342
394,943	-	394,943
379,143	-	379,143
181,398	-	181,398
259,765	-	259,765
388,069	-	388,069
67,538	-	67,538
17,630	-	17,630
31,838	-	31,838

(continued)

CITY OF ANAMOSA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

	<u>Disbursements</u>	<u>Charges for Services</u>	Program Receipts	
			Operating Grants, Contributions, and Restricted <u>Interest</u>	Capital Grants, Contributions and Restricted <u>Interest</u>
<b>GENERAL RECEIPTS:</b> (continued)				
Bond proceeds				
Sale of capital assets				
Total general receipts				
<b>CHANGE IN CASH BASIS NET ASSETS</b>				
<b>CASH BASIS NET ASSETS, BEGINNING OF YEAR</b>				
<b>CASH BASIS NET ASSETS, END OF YEAR</b>				
<b>CASH BASIS NET ASSETS:</b>				
Restricted:				
Capital projects				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>TOTAL CASH BASIS NET ASSETS</b>				

**Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets**

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<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
4,319,121	-	4,319,121
<u>4,739</u>	<u>-</u>	<u>4,739</u>
<u>6,776,526</u>	<u>-</u>	<u>6,776,526</u>
895,941	34,503	930,444
<u>3,212,588</u>	<u>2,696,112</u>	<u>5,908,700</u>
<u>\$ 4,108,529</u>	<u>\$ 2,730,615</u>	<u>\$ 6,839,144</u>
\$ 61,914	\$ -	\$ 61,914
1,189,620	-	1,189,620
1,228,547	326,400	1,554,947
81,508	267,092	348,600
<u>1,546,940</u>	<u>2,137,123</u>	<u>3,684,063</u>
<u>\$ 4,108,529</u>	<u>\$ 2,730,615</u>	<u>\$ 6,839,144</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANAMOSA

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
<b>RECEIPTS:</b>			
Property tax	\$ 732,341	\$ -	\$ 181,399
Tax increment financing collections	-	-	-
Other city tax	237,410	388,070	7,354
Licenses and permits	21,356	-	-
Use of money and property	52,120	-	-
Intergovernmental	1,936,811	23,996	-
Charges for services	137,348	-	-
Special assessments	-	-	-
Miscellaneous	157,165	-	-
	<u>3,274,551</u>	<u>412,066</u>	<u>188,753</u>
Total receipts			
	<u>3,274,551</u>	<u>412,066</u>	<u>188,753</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	1,252,419	24,203	-
Public works	303,235	238,834	-
Culture and recreation	609,681	129,692	-
Community and economic development	46	-	-
General government	491,705	1,001	-
Debt service	-	-	4,886,535
Capital projects	-	1,594	-
	<u>2,657,086</u>	<u>395,324</u>	<u>4,886,535</u>
Total disbursements			
	<u>2,657,086</u>	<u>395,324</u>	<u>4,886,535</u>
Excess (deficiency) of receipts over (under) disbursements	<u>617,465</u>	<u>16,742</u>	<u>(4,697,782)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bond proceeds	-	-	4,319,121
Sale of capital assets	4,739	-	-
Operating transfers in	465,086	30,531	959,101
Operating transfers out	(614,704)	(2,000)	-
	<u>(144,879)</u>	<u>28,531</u>	<u>5,278,222</u>
Net other financing sources (uses)			
	<u>(144,879)</u>	<u>28,531</u>	<u>5,278,222</u>

Nonmajor Governmental		
<u>Funds</u>	<u>Totals</u>	
\$ 394,942	\$ 1,308,682	
379,144	379,144	
824	633,658	
-	21,356	
958	53,078	
519,756	2,480,563	
-	137,348	
31,838	31,838	
<u>2,375</u>	<u>159,540</u>	
<u>1,329,837</u>	<u>5,205,207</u>	
5,263	1,281,885	
286,555	828,624	
32,414	771,787	
38,161	38,207	
17,811	510,517	
152,325	5,038,860	
<u>161,652</u>	<u>163,246</u>	
<u>694,181</u>	<u>8,633,126</u>	
<u>635,656</u>	<u>(3,427,919)</u>	
-	4,319,121	
-	4,739	
2,000	1,456,718	
<u>(840,014)</u>	<u>(1,456,718)</u>	
<u>(838,014)</u>	<u>4,323,860</u>	

(continued)

CITY OF ANAMOSA

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds

As of and for the year ended June 30, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
NET CHANGE IN CASH BALANCES	472,586	45,273	580,440
CASH BALANCES, BEGINNING OF YEAR	<u>1,074,354</u>	<u>709,438</u>	<u>147,768</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,546,940</u>	<u>\$ 754,711</u>	<u>\$ 728,208</u>
<b>CASH BASIS FUND BALANCES:</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ 728,208
Unreserved:			
General	1,546,940	-	-
Special revenue funds	-	754,711	-
Capital project funds	-	-	-
Permanent	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,546,940</u>	<u>\$ 754,711</u>	<u>\$ 728,208</u>

Nonmajor Governmental <u>Funds</u>	<u>Totals</u>
(202,358)	895,941
<u>1,281,028</u>	<u>3,212,588</u>
<u>\$ 1,078,670</u>	<u>\$ 4,108,529</u>
\$ 500,339	\$ 1,228,547
-	1,546,940
434,909	1,189,620
61,914	61,914
<u>81,508</u>	<u>81,508</u>
<u>\$ 1,078,670</u>	<u>\$ 4,108,529</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF ANAMOSA

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Proprietary Funds

As of and for the year ended June 30, 2010

	<u>Enterprise</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Enterprise</u> <u>Fund</u>	
<b>OPERATING RECEIPTS:</b>				
Charges for services	\$ 721,556	\$ 1,468,201	\$ -	\$ 2,189,757
Miscellaneous	50,933	30,241	24,810	105,984
Total operating receipts	<u>772,489</u>	<u>1,498,442</u>	<u>24,810</u>	<u>2,295,741</u>
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Water	596,529	-	6,652	603,181
Sewer	-	863,136	-	863,136
Total operating disbursements	<u>596,529</u>	<u>863,136</u>	<u>6,652</u>	<u>1,466,317</u>
Excess of operating receipts over operating disbursements	<u>175,960</u>	<u>635,306</u>	<u>18,158</u>	<u>829,424</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments	5,865	21,258	3,564	30,687
Debt service	(502,590)	(323,018)	-	(825,608)
Net nonoperating receipts (disbursements)	<u>(496,725)</u>	<u>(301,760)</u>	<u>3,564</u>	<u>(794,921)</u>
<b>NET CHANGE IN CASH BALANCES</b>	(320,765)	333,546	21,722	34,503
<b>CASH BALANCES, BEGINNING OF YEAR</b>	<u>750,142</u>	<u>1,700,600</u>	<u>245,370</u>	<u>2,696,112</u>
<b>CASH BALANCES, END OF YEAR</b>	<u>\$ 429,377</u>	<u>\$ 2,034,146</u>	<u>\$ 267,092</u>	<u>\$ 2,730,615</u>
<b>CASH BASIS FUND BALANCES:</b>				
Reserved:				
Debt service	\$ -	\$ 326,400	\$ -	\$ 326,400
Deposits	-	-	267,092	267,092
Unreserved	<u>429,377</u>	<u>1,707,746</u>	<u>-</u>	<u>2,137,123</u>
Total cash basis fund balances	<u>\$ 429,377</u>	<u>\$ 2,034,146</u>	<u>\$ 267,092</u>	<u>\$ 2,730,615</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF ANAMOSA

### Notes to Financial Statements

June 30, 2010

#### (1) Summary of Significant Accounting Policies

The City of Anamosa is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Manager-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

##### A. Reporting Entity

For financial reporting purposes, the City of Anamosa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jones County Assessor's Conference Board, Jones County E911 Service Board, and Jones County Landfill Agency.

##### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## CITY OF ANAMOSA

### Notes to Financial Statements

June 30, 2010

#### (1) Summary of Significant Accounting Policies(continued)

##### B. Basis of Presentation (continued)

###### Government-wide Financial Statement (continued)

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental or nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

##### Special Revenue:

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF ANAMOSA

Notes to Financial Statements

June 30, 2010

(1) **Summary of Significant Accounting Policies**(continued)

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service and community and economic development functions, prior to the budget being amended.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, at the Jones County Treasurer's Office. These taxes are recognized as income to the City when they are received from the County.

## CITY OF ANAMOSA

### Notes to Financial Statements

June 30, 2010

#### (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

#### (3) Bonds and Notes Payable

During the current fiscal year, the City issued \$4,335,000 in General Obligation Bonds with interest rates ranging from 1 to 4.4 percent to advance refund \$4,460,000 of 1998 street improvement project, 2008 corporate purpose notes and TIF revenue - refinancing notes with interest rates ranging from 2.7 to 5.05 percent. Net proceeds of \$4,319,121 (after payment of issuance costs and underwriter's premium of \$15,879) were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for payment of these notes.

As a result, these notes are considered to be defeased and the liabilities for these notes have been removed from the City's indebtedness amount. The City advance refunded these notes to reduce its total debt service payments over the next twelve years by almost \$235,100 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$200,000.

Annual debt service requirements to maturity of general obligation bonds and notes, special revenue bonds and notes and revenue notes are as follows:

**CITY OF ANAMOSA**

**Notes to Financial Statements**

**June 30, 2010**

**(3) Bonds and Notes Payable (continued)**

	<u>General Obligation Bonds and Notes</u>		<u>Special Revenue Bonds and Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$2,307,318	\$ 192,729	\$ 105,000	\$ 47,675	\$ 214,000	\$ 111,880	\$ 2,626,318	\$ 352,284
2012	390,000	109,111	105,000	43,003	222,000	103,420	717,000	255,534
2013	460,000	103,231	110,000	38,120	235,000	94,385	805,000	235,736
2014	425,000	94,840	115,000	32,895	243,000	84,635	783,000	212,370
2015	410,000	86,090	125,000	27,317	251,000	74,405	786,000	187,812
2016	865,000	75,850	130,000	21,130	264,000	63,685	1,259,000	160,665
2017	145,000	53,105	135,000	14,565	278,000	52,200	558,000	119,870
2018	155,000	48,030	145,000	7,612	116,000	39,900	416,000	95,542
2019	195,000	42,218	-	-	119,000	36,420	314,000	78,638
2020	260,000	34,710	-	-	123,000	32,850	383,000	67,560
2021	275,000	24,310	-	-	127,000	29,160	402,000	53,470
2022	290,000	12,760	-	-	131,000	25,350	421,000	38,110
2023	-	-	-	-	134,000	21,420	134,000	21,420
2024	-	-	-	-	139,000	17,400	139,000	17,400
2025	-	-	-	-	143,000	13,230	143,000	13,230
2026	-	-	-	-	67,762	8,940	67,762	8,940
2027	-	-	-	-	-	4,530	-	4,530
<b>Total</b>	<b><u>\$6,177,318</u></b>	<b><u>\$ 876,984</u></b>	<b><u>\$ 970,000</u></b>	<b><u>\$ 232,317</u></b>	<b><u>\$2,806,762</u></b>	<b><u>\$ 813,810</u></b>	<b><u>\$ 9,954,080</u></b>	<b><u>\$1,923,111</u></b>

Road use tax revenue notes were issued on November 1, 2002 to provide funds for the construction of street and street related improvements in connection with the City's Downtown Streetscape Project. The bonds are payable solely from road use tax revenues and are callable on June 1, 2012. The resolution providing for the issuance of the road use tax revenue bonds includes the following provisions:

- a) An amount equal to 1/6<sup>th</sup> of the next interest payment due is to be set aside in a road use tax sinking fund.
- b) A reserve fund is to be established with a required fund balance of \$152,675.
- c) All road use tax revenues remaining after making the required payments into the sinking and reserve funds shall be placed in a surplus fund which may be used to pay for road related improvements and services.

Sewer revenue refunding notes were issued on October 1, 2002, with an average rate of 4.55% to redeem \$1,640,000 in 1994 sewer revenue notes with an average interest rate of 6.98%.

**CITY OF ANAMOSA**

**Notes to Financial Statements**

**June 30, 2010**

**(3) Bonds and Notes Payable (continued)**

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- a) The City shall generate net revenues from sewer operations of 125% of the average annual principal and interest payments.
- b) An amount equal to 1/12<sup>th</sup> of the next principal payment due and 1/6<sup>th</sup> of the next interest payment due shall be set aside in a sewer sinking fund.
- c) A reserve fund is to be established with a required fund balance of \$173,910.
- d) An improvement and extension fund is to be established with a required fund balance of \$50,000.

As of June 30, 2010, the City was in compliance with provisions of the debt resolutions listed above.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 72,548
	Employee Benefits	<u>392,538</u>
		<u>465,086</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	344,397
Debt Service	General	<u>614,704</u>
		<u>959,101</u>
Capital Projects:	Special Revenue:	
Water Projects	Local Option Sales Tax	<u>2,000</u>
Special Revenue:	Capital Projects:	
Local Option Sales Tax	Park and Recreation Project	<u>30,531</u>
Total		<u>\$1,456,718</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## CITY OF ANAMOSA

### Notes to Financial Statements

June 30, 2010

#### (5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$80,706, \$70,148, and \$70,557, respectively, equal to the required contributions for each year.

#### (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment for subsequent use or for payment upon termination, retirement or death. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 1,440 hours. Vacation is payable when used and is cumulative to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is \$67,872. This liability has been computed based on pay rates in effect at June 30, 2010.

#### (7) Related Party Transactions

The City had business transactions between the City and a business owned by a Council member's family totaling \$16,272 during the year ended June 30, 2010.

#### (8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## CITY OF ANAMOSA

### Notes to Financial Statements

June 30, 2010

#### (9) Deficit Balance

The Capital Projects, Water Projects Fund had a deficit balance of \$75,601 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant or bond proceeds.

The Capital Projects, Sewer Projects Fund had a deficit balance of \$5,120 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grant or bond proceeds.

#### (10) New Accounting Standard

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

It is not anticipated that the implementation of the new standards will have a significant effect on the City's financial statements.

#### (11) Subsequent Events

Management evaluated subsequent events through January 22, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to January 22, 2011, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2010.

In September 2010, the City entered into a construction contract in the amount of \$166,500 for a street construction project.

This information is an integral part of the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF ANAMOSA

Budgetary Comparison Schedule of Receipts, Disbursements and  
Changes in Balances - Budget and Actual (Cash Basis) -  
All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<b>RECEIPTS:</b>			
Property tax	\$ 1,308,682	\$ -	\$ 1,308,682
Tax increment financing collections	379,144	-	379,144
Other city tax	633,658	-	633,658
Licenses and permits	21,356	-	21,356
Use of money and property	53,078	30,687	83,765
Intergovernmental	2,480,563	-	2,480,563
Charges for services	137,348	2,189,757	2,327,105
Special assessments	31,838	-	31,838
Miscellaneous	159,540	105,984	265,524
	<u>5,205,207</u>	<u>2,326,428</u>	<u>7,531,635</u>
<b>DISBURSEMENTS:</b>			
Operating:			
Public safety	1,281,885	-	1,281,885
Public works	828,624	-	828,624
Culture and recreation	771,787	-	771,787
Community and economic development	38,207	-	38,207
General government	510,517	-	510,517
Debt service	5,038,860	-	5,038,860
Capital projects	163,246	-	163,246
Business type activities	-	2,291,925	2,291,925
	<u>8,633,126</u>	<u>2,291,925</u>	<u>10,925,051</u>
Excess (deficiency) of receipts over (under) disbursements	(3,427,919)	34,503	(3,393,416)
<b>OTHER FINANCING SOURCES, NET</b>	<u>4,323,860</u>	<u>-</u>	<u>4,323,860</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	895,941	34,503	930,444
<b>BALANCE, BEGINNING OF YEAR</b>	<u>3,212,588</u>	<u>2,696,112</u>	<u>5,908,700</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 4,108,529</u>	<u>\$ 2,730,615</u>	<u>\$ 6,839,144</u>

<u>Budgeted Amounts</u>		<b>Final to</b>
<u>Original</u>	<u>Final</u>	<b>Total</b>
		<b>Variance</b>
\$ 1,468,564	\$ 1,468,564	\$ (159,882)
372,350	372,350	6,794
443,576	455,576	178,082
6,900	6,900	14,456
128,670	128,670	(44,905)
2,616,608	3,721,106	(1,240,543)
2,592,470	2,599,470	(272,365)
26,000	65,000	(33,162)
<u>267,117</u>	<u>267,117</u>	<u>(1,593)</u>
<u>7,922,255</u>	<u>9,084,753</u>	<u>(1,553,118)</u>
1,608,118	1,622,972	341,087
859,150	928,150	99,526
691,074	781,594	9,807
8,628	55,628	17,421
504,278	543,978	33,461
683,592	6,879,587	1,840,727
1,720,000	1,720,000	1,556,754
<u>2,248,985</u>	<u>2,729,985</u>	<u>438,060</u>
<u>8,323,825</u>	<u>15,261,894</u>	<u>4,336,843</u>
(401,570)	(6,177,141)	(2,783,725)
<u>550,000</u>	<u>4,849,121</u>	<u>525,261</u>
148,430	(1,328,020)	2,258,464
<u>6,316,123</u>	<u>6,316,123</u>	<u>(407,423)</u>
<u>\$ 6,464,553</u>	<u>\$ 4,988,103</u>	<u>\$ 1,851,041</u>

See accompanying independent auditor's report.

**CITY OF ANAMOSA**

**Notes to Required Supplementary Information -  
Budgetary Reporting**

**June 30, 2010**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund or fund type. These eight functional areas are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$6,245,408 and budgeted disbursements by \$6,938,049. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded budgeted amounts in the debt service and community and economic development functions, prior to the budget being amended.

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF ANAMOSA

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue							
	Employee Benefits	Road Use Tax	Library Special Gift	Police Department Forfeiture	Police Canine	Anamosa/Monticello Local Access	Cemetery Operations	Wetlands Project
<b>RECEIPTS:</b>								
Property tax	\$ 394,942	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	-	-
Other city tax	824	-	-	-	-	-	-	-
Use of money and property	-	-	920	-	6	32	-	-
Intergovernmental	-	485,637	-	-	-	25,519	-	-
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	500	-	-	-
<b>Total receipts</b>	<u>395,766</u>	<u>485,637</u>	<u>920</u>	<u>-</u>	<u>506</u>	<u>25,551</u>	<u>-</u>	<u>-</u>
<b>DISBURSEMENTS:</b>								
Operating:								
Public safety	-	-	-	4,804	459	-	-	-
Public works	-	286,555	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	32,414	-	-
Community and economic development	-	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-	-
Debt Service	-	152,325	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<u>-</u>	<u>438,880</u>	<u>-</u>	<u>4,804</u>	<u>459</u>	<u>32,414</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>395,766</u>	<u>46,757</u>	<u>920</u>	<u>(4,804)</u>	<u>47</u>	<u>(6,863)</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	<u>(392,538)</u>	<u>(72,548)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net other financing sources (uses)</b>	<u>(392,538)</u>	<u>(72,548)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH BALANCES</b>	<u>3,228</u>	<u>(25,791)</u>	<u>920</u>	<u>(4,804)</u>	<u>47</u>	<u>(6,863)</u>	<u>-</u>	<u>-</u>
<b>CASH BALANCES, BEGINNING OF YEAR</b>	<u>58,474</u>	<u>329,552</u>	<u>37,417</u>	<u>4,819</u>	<u>2,541</u>	<u>16,047</u>	<u>10,000</u>	<u>801</u>
<b>CASH BALANCES, END OF YEAR</b>	<u>\$ 61,702</u>	<u>\$ 303,761</u>	<u>\$ 38,337</u>	<u>\$ 15</u>	<u>\$ 2,588</u>	<u>\$ 9,184</u>	<u>\$ 10,000</u>	<u>\$ 801</u>

Tax Increment Financing	Capital Projects						Permanent	Totals
	Special Assessment	Street Projects	Water Projects	Capital Projects	Sewer Projects	Park & Recreation Project	Cemetery Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,942
379,144	-	-	-	-	-	-	-	379,144
-	-	-	-	-	-	-	-	824
-	-	-	-	-	-	-	-	958
-	-	-	-	-	3,100	5,500	-	519,756
-	31,838	-	-	-	-	-	-	31,838
-	-	-	-	-	-	-	1,875	2,375
<u>379,144</u>	<u>31,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>5,500</u>	<u>1,875</u>	<u>1,329,837</u>
-	-	-	-	-	-	-	-	5,263
-	-	-	-	-	-	-	-	286,555
-	-	-	-	-	-	-	-	32,414
38,161	-	-	-	-	-	-	-	38,161
17,811	-	-	-	-	-	-	-	17,811
-	-	-	-	-	-	-	-	152,325
<u>60,591</u>	<u>-</u>	<u>10,625</u>	<u>75,601</u>	<u>1,255</u>	<u>8,220</u>	<u>5,360</u>	<u>-</u>	<u>161,652</u>
<u>116,563</u>	<u>-</u>	<u>10,625</u>	<u>75,601</u>	<u>1,255</u>	<u>8,220</u>	<u>5,360</u>	<u>-</u>	<u>694,181</u>
<u>262,581</u>	<u>31,838</u>	<u>(10,625)</u>	<u>(75,601)</u>	<u>(1,255)</u>	<u>(5,120)</u>	<u>140</u>	<u>1,875</u>	<u>635,656</u>
-	-	-	-	-	-	2,000	-	2,000
<u>(344,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,531)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(840,014)</u>
<u>(344,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,531)</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>(838,014)</u>
(81,816)	31,838	(10,625)	(75,601)	(31,786)	(5,120)	2,140	1,875	(202,358)
<u>245,852</u>	<u>312,986</u>	<u>12,861</u>	<u>-</u>	<u>170,045</u>	<u>-</u>	<u>-</u>	<u>79,633</u>	<u>1,281,028</u>
<u>\$ 164,036</u>	<u>\$ 344,824</u>	<u>\$ 2,236</u>	<u>\$ (75,601)</u>	<u>\$ 138,259</u>	<u>\$ (5,120)</u>	<u>\$ 2,140</u>	<u>\$ 81,508</u>	<u>\$ 1,078,670</u>

(continued)

CITY OF ANAMOSA

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue							
	<u>Employee Benefits</u>	<u>Road Use Tax</u>	<u>Library Special Gift</u>	<u>Police Department Forfeiture</u>	<u>Police Canine</u>	<u>Anamosa/Monticello Local Access</u>	<u>Cemetary Operations</u>	<u>Wetlands Project</u>
<b>CASH BASIS FUND BALANCE:</b>								
Reserved:								
Debt service	\$ -	\$ 155,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:								
Special revenue funds	61,702	148,246	38,337	15	2,588	9,184	10,000	801
Capital project funds	-	-	-	-	-	-	-	-
Permanent	-	-	-	-	-	-	-	-
Total cash basis fund balance	<u>\$ 61,702</u>	<u>\$ 303,761</u>	<u>\$ 38,337</u>	<u>\$ 15</u>	<u>\$ 2,588</u>	<u>\$ 9,184</u>	<u>\$ 10,000</u>	<u>\$ 801</u>

		Capital Projects					Permanent		
<u>Tax</u>	<u>Special</u>	<u>Street</u>	<u>Water</u>	<u>Capital</u>	<u>Sewer</u>	<u>Park &amp;</u>	<u>Cemetery</u>		
<u>Increment</u>	<u>Assessment</u>	<u>Projects</u>	<u>Projects</u>	<u>Projects</u>	<u>Projects</u>	<u>Project</u>	<u>Perpetual</u>	<u>Totals</u>	
<u>Financing</u>							<u>Care</u>		
\$ -	\$ 344,824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,339	
164,036	-	-	-	-	-	-	-	434,909	
-	-	2,236	(75,601)	138,259	(5,120)	2,140	-	61,914	
-	-	-	-	-	-	-	81,508	81,508	
<u>\$ 164,036</u>	<u>\$ 344,824</u>	<u>\$ 2,236</u>	<u>\$ (75,601)</u>	<u>\$ 138,259</u>	<u>\$ (5,120)</u>	<u>\$ 2,140</u>	<u>\$ 81,508</u>	<u>\$ 1,078,670</u>	

## CITY OF ANAMOSA

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances

## Nonmajor Enterprise Fund - Consumer Deposits

As of and for the year ended June 30, 2010

<b>OPERATING RECEIPTS:</b>	
Miscellaneous	\$ 24,810
 <b>OPERATING DISBURSEMENTS:</b>	
Business type activities:	
Water	<u>6,652</u>
Excess of receipts over disbursements	18,158
 <b>NONOPERATING RECEIPTS:</b>	
Interest on investments	<u>3,564</u>
 <b>NET CHANGE IN CASH BALANCE</b>	21,722
 <b>CASH BALANCE, BEGINNING OF YEAR</b>	<u>245,370</u>
 <b>CASH BALANCE, END OF YEAR</b>	<u>\$ 267,092</u>
 <b>CASH BASIS FUND BALANCE:</b>	
Reserved:	
Deposits	<u>\$ 267,092</u>

**CITY OF ANAMOSA**  
**Schedule of Indebtedness**  
**Year ended June 30, 2010**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Street improvement project	June 1, 1998	4.35-5.05%	\$ 760,000
Corporate purpose note	April 9, 2008	2.60-4.15%	2,115,000
Corporate purpose anticipation note	October 1, 2008	3.75%	1,957,318
Refunding notes - Series 2002A	November 1, 2002	2.00-4.90%	455,000
Equipment note	November 1, 2004	2.75%	50,000
Refunding notes - Series 2010A	April 1, 2010	1.00-2.55%	1,925,000
Economic development and refunding note	December 4, 2009	1.25-4.40%	2,410,000
Total			
Road Use Tax:			
Road use tax revenue notes	November 1, 2002	2.50-5.25%	1,595,000
Tax increment financing bonds:			
2002 TIF bond	November 1, 2002	2.00-4.90%	2,870,000
TIF revenue - refinancing	November 1, 2002	2.00-4.60%	475,000
Total			
Revenue:			
Water revenue notes	April 1, 1999	4.40-5.15%	1,180,000
Sewer revenue notes	February 12, 2008	3.00%	2,320,000
Sewer revenue refunding notes	October 1, 2002	2.75-5.40%	1,785,000
Total			
Total indebtedness			

## Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Defeased During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 255,000	\$ -	\$ 255,000	\$ -	\$ 7,318	\$ -
2,085,000	-	2,085,000	-	-	-
1,957,318	-	-	1,957,318	118,750	-
260,676	-	260,676	-	11,752	-
10,000	-	10,000	-	130	-
-	1,925,000	-	1,925,000	40,455	-
-	2,410,000	115,000	2,295,000	38,104	-
<u>4,567,994</u>	<u>4,335,000</u>	<u>2,725,676</u>	<u>6,177,318</u>	<u>216,509</u>	<u>-</u>
<u>1,070,000</u>	<u>-</u>	<u>100,000</u>	<u>970,000</u>	<u>51,925</u>	<u>-</u>
1,644,516	-	1,644,516	-	74,216	-
215,000	-	215,000	-	9,335	-
<u>1,859,516</u>	<u>-</u>	<u>1,859,516</u>	<u>-</u>	<u>83,551</u>	<u>-</u>
490,000	-	490,000	-	12,315	-
1,910,762	-	89,000	1,821,762	57,323	-
1,100,000	-	115,000	985,000	55,495	-
<u>3,500,762</u>	<u>-</u>	<u>694,000</u>	<u>2,806,762</u>	<u>125,133</u>	<u>-</u>
<u>\$ 10,998,272</u>	<u>\$ 4,335,000</u>	<u>\$ 5,379,192</u>	<u>\$ 9,954,080</u>	<u>\$ 477,118</u>	<u>\$ -</u>

## CITY OF ANAMOSA

## Bond and Note Maturities

June 30, 2010

General Obligation Debt							
Year Ending June 30,	GO Anticipation Note Issued October 1, 2008		GO Refunding Bonds, Series 2010A Issued April 1, 2010		GO Economic Development Issued Dec. 4, 2009		Total General Obligation Debt
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2011	3.75 %	\$1,957,318	1.00 %	\$ 230,000	1.50 %	\$ 120,000	\$ 2,307,318
2012	-	-	1.20 %	240,000	2.00 %	150,000	390,000
2013	-	-	1.45 %	245,000	2.25 %	215,000	460,000
2014	-	-	1.75 %	250,000	2.50 %	175,000	425,000
2015	-	-	2.15 %	220,000	2.90 %	190,000	410,000
2016	-	-	2.55 %	740,000	3.10 %	125,000	865,000
2017	-	-	-	-	3.50 %	145,000	145,000
2018	-	-	-	-	3.75 %	155,000	155,000
2019	-	-	-	-	3.85 %	195,000	195,000
2020	-	-	-	-	4.00 %	260,000	260,000
2021	-	-	-	-	4.20 %	275,000	275,000
2022	-	-	-	-	4.40 %	290,000	290,000
Total		<u>\$1,957,318</u>		<u>\$1,925,000</u>		<u>\$2,295,000</u>	<u>\$ 6,177,318</u>
Revenue Debt							
Year Ending June 30,	Special Revenue Debt Road Use Tax Revenue Issued Nov. 1, 2002		Sewer Revenue Issued Feb. 12, 2008		Sewer Revenue Issued Oct. 1, 2002		Total Revenue Debt
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2011	4.45 %	\$ 105,000	3.00 %	\$ 94,000	4.70 %	\$ 120,000	\$ 214,000
2012	4.65 %	105,000	3.00 %	97,000	4.90 %	125,000	222,000
2013	4.75 %	110,000	3.00 %	100,000	5.00 %	135,000	235,000
2014	4.85 %	115,000	3.00 %	103,000	5.10 %	140,000	243,000
2015	4.95 %	125,000	3.00 %	106,000	5.20 %	145,000	251,000
2016	5.05 %	130,000	3.00 %	109,000	5.30 %	155,000	264,000
2017	5.15 %	135,000	3.00 %	113,000	5.40 %	165,000	278,000
2018	5.25 %	145,000	3.00 %	116,000	-	-	116,000
2019	-	-	3.00 %	119,000	-	-	119,000
2020	-	-	3.00 %	123,000	-	-	123,000
2021	-	-	3.00 %	127,000	-	-	127,000
2022	-	-	3.00 %	131,000	-	-	131,000
2023	-	-	3.00 %	134,000	-	-	134,000
2024	-	-	3.00 %	139,000	-	-	139,000
2025	-	-	3.00 %	143,000	-	-	143,000
2026	-	-	3.00 %	67,762	-	-	67,762
Total		<u>\$ 970,000</u>		<u>\$1,821,762</u>		<u>\$ 985,000</u>	<u>\$ 2,806,762</u>

## CITY OF ANAMOSA

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Six Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>RECEIPTS:</b>						
Property tax	\$ 1,308,682	\$ 1,266,102	\$ 1,214,875	\$ 1,017,807	\$ 973,794	\$ 914,511
Tax increment financing collections	379,144	348,260	295,829	577,134	576,509	565,948
Other city tax	633,658	552,180	551,285	518,050	413,792	427,377
Licenses and permits	21,356	19,365	5,115	8,546	10,370	7,460
Use of money and property	53,078	128,162	76,628	97,380	80,686	63,342
Intergovernmental	2,480,563	2,296,571	738,312	977,347	888,072	768,030
Charges for service	137,348	396,397	272,711	130,396	117,672	137,328
Special assessments	31,838	34,359	43,721	49,634	82,155	82,810
Miscellaneous	<u>159,540</u>	<u>197,900</u>	<u>278,929</u>	<u>218,598</u>	<u>272,888</u>	<u>325,446</u>
Total	<u>\$ 5,205,207</u>	<u>\$ 5,239,296</u>	<u>\$ 3,477,405</u>	<u>\$ 3,594,892</u>	<u>\$ 3,415,938</u>	<u>\$ 3,292,252</u>
<b>DISBURSEMENTS:</b>						
Operating:						
Public safety	\$ 1,281,885	\$ 4,851,603	\$ 827,012	\$ 688,777	\$ 566,170	\$ 531,939
Public works	828,624	787,526	576,527	790,968	456,399	477,866
Culture and recreation	771,787	679,815	709,517	719,341	647,769	499,851
Community and economic development	38,207	502,638	352,173	81,771	141,556	190,267
General government	510,517	512,849	496,667	459,458	355,676	296,893
Debt service	5,038,860	717,230	630,080	724,012	1,046,488	840,653
Capital projects	<u>163,246</u>	<u>288,472</u>	<u>2,432,424</u>	<u>840,872</u>	<u>1,284,894</u>	<u>1,052,322</u>
Total	<u>\$ 8,633,126</u>	<u>\$ 8,340,133</u>	<u>\$ 6,024,400</u>	<u>\$ 4,305,199</u>	<u>\$ 4,498,952</u>	<u>\$ 3,889,791</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the City Council  
Anamosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 22, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Anamosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Anamosa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Anamosa's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items I-B-10, I-C-10 and I-D-10 to be material weaknesses in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings and Responses as item I-A-10 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anamosa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Anamosa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Anamosa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anamosa and those parties to whom the City of Anamosa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
January 22, 2011

CITY OF ANAMOSA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-10: Segregation of Duties**

Criteria:

The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition:

The City Clerk has complete control over the accounting function.

Context:

During our audit we found that the City Clerk could perform all duties in the accounting function.

Effect:

As a result of this condition, there is more than a remote risk that errors or irregularities could occur and not be detected within a timely manner.

Cause:

Ideal separation of incompatible duties is difficult with the size of the City staff.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. We are aware of the lack of segregation of duties and have considered alternatives to improve the situation. We are monitoring the situation and are segregating accounting duties where practical.

Conclusion:

Response accepted.

**CITY OF ANAMOSA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010**

**Part I: Findings Related to the Financial Statements: (CONTINUED)**

**I-B-10: Preparation of Financial Statements**

**Criteria:**

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

**Condition:**

The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors would be identified and corrected.

**Context:**

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

**Effect:**

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

**Cause:**

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

**Recommendation:**

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the City's activities and operations.

**Management Response:**

The City does not have the resources to employ staff possessing the detailed understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. As a result, the City of Anamosa has relied on the independent auditor to identify disclosures required in the financial statements.

**Conclusion:**

Response accepted.

CITY OF ANAMOSA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

**Part I: Findings Related to the Financial Statements:** (CONTINUED)

**I-C-10: Financial Reporting**

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements.

Condition:

During the audit, we identified a material amount of TIF revenues miss-posted to the General Fund rather than to the TIF Fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Context:

During our audit, these material misstatements were identified.

Effect:

As a result of this condition, there is a higher risk that financial statement errors could occur and not be detected.

Cause:

The journal entry was posted to the incorrect fund.

Recommendation:

The City should implement procedures to ensure TIF receipts are properly recorded in the City's financial statements.

Management Response:

We will double check this in the future to avoid posting errors.

Conclusion:

Response accepted.

**CITY OF ANAMOSA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010**

**Part I: Findings Related to the Financial Statements: (CONTINUED)**

**I-D-10: Financial Reporting**

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements.

Condition:

During the audit, we identified a material amount of checks prepared but not mailed before year end and submitted for reimbursement from federal funds.

Context:

During our audit, we noted these held checks and subsequently these material misstatements were identified.

Effect:

As a result of this condition, there is a higher risk that financial statement errors could occur and not be detected.

Cause:

The City held onto the checks to avoid starting the warranty on their purchases.

Recommendation:

The City should not hold onto checks. They should also implement procedures to ensure checks cut are disbursed prior to submitting for reimbursement.

Management Response:

We will double check this in the future and not hold onto checks.

Conclusion:

Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**CITY OF ANAMOSA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010**

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the debt service and community and economic development functions, prior to the budget being amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cody Shaffer, Council member, son of owner of Shaffer Plumbing and Heating	Plumbing related	\$ 16,272

The transactions with the council member does not appear to represent a conflict of interest since it was entered into through either competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa, or according to City policy.

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Revenue Notes - As of June 30, 2010, the City was in compliance with the funding and payment provisions of the revenue note resolutions.

II-G-10 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

CITY OF ANAMOSA  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

**Part II: Other Findings Related to Required Statutory Reporting:** (CONTINUED)

II-H-10     Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-10     Financial Condition - The Capital Projects, Water Projects Fund and the Capital Projects, Sewer Projects Fund had deficit balances at June 30, 2010 of \$75,601 and \$5,120, respectively.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: These deficits were due to capital project costs incurred before grant and bond proceeds were received. These deficits will be eliminated next year.

Conclusion: Response accepted.